

Message Text

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PAGE 01 GENEVA 05634 01 OF 03 150430Z
ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 EA-10 EUR-12 NEA-10 /166 W
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R 141114Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 8379
INFO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 05634

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, BR
SUBJECT: GATT ARTICLE XXVIII NEGOTIATIONS: BRAZIL

1. SUMMARY: BRAZILIAN DEL RESPONDED NEGATIVELY TO U.S. REQUEST LIST ITEM BY ITEM STATING IN MOST CASES THAT COMPENSATORY CONCESSIONS WERE NOT POSSIBLE. IN FEW CASES, BRAZIL INDICATED EX-DUT OF LIMITED NATURE MIGHT BE POSSIBLE AND ASKED FOR FURTHER CLARIFICATION OF U.S. REQUEST. BRAZIL DID NOT MAKE ANY SPECIFIC OFFERS ON ITEMS ON U.S. REQUEST LIST AND DID NOT SUBMIT ALTERNATE OFFERS ON SUBSTITUTE ITEMS. END SUMMARY.

2. WE MET WITH LARGE BRAZILIAN DELEGATION (NUMBERING 18) APRIL 12 TO RENEGOTIATE BRAZIL'S SCHEDULE III CONCESSIONS. BRAZIL DEL (BOTAFOGO GONCALVES, MFA) NOTED THAT U.S. REQUEST LIST CONTAINED HIGH QUALITY ITEMS MOST OF WHICH WERE PRODUCED IN BRAZIL OR THE SUBJECT OF DEVELOPMENT PLANS FOR IMPORT SUBSTITUTION. HE INDICATED THAT

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PAGE 02 GENEVA 05634 01 OF 03 150430Z

CONCESSIONS ON MOST OF THESE ITEMS WOULD BE DIFFICULT, AND IN MANY CASES IMPOSSIBLE. ITEM BY ITEM EXAMINATION OF U.S. REQUEST LIST CONFIRMED NEGATIVE RESPONSE OF BRAZILIANS. ON SEVERAL ITEMS, BRAZIL DEL (FERREIRA NEVES, MINISTRY OF FINANCE) INDICATED THAT NO CONCESSION IS POSSIBLE; THAT IS, BRAZIL CANNOT GRANT TARIFF BINDING AT ANY LEVEL. ON SOME ITEMS BRAZIL DEL INDICATED AN

OFFER MIGHT BE POSSIBLE IF U.S. COULD SPECIFY INTEREST IN MORE DETAIL, THEREBY HOLDING OUT POSSIBILITY OF NARROW EX-OUTS. IN TWO SECTORS, PETROCHEMICALS AND AIRCRAFT, BRAZIL DEL CLAIMED THAT PROBLEM MUST BE LOOKED AT ON A SECTORAL BASIS RATHER THAN BY INDIVIDUAL ITEM, INCLUDING, IN THE CASE OF AIRCRAFT, SLOWNESS OF U.S. IN CERTIFYING BRAZILIAN AIRCRAFT.

3. AFTER ITEM BY ITEM EXAMINATION, WE EXPRESSED DISAPPOINTMENT THAT BRAZILIAN RESPONSE WAS INSUFFICIENT. WE ALSO NOTED, ALTHOUGH U.S. CONSIDERED MTN AND ARTICLE XXVIII NEGOTIATIONS TO BE SEPARATE, THAT EVIDENCE OF BRAZILIAN GOOD FAITH IN FULFILLING CURRENT GATT OBLIGATIONS UNDER ARTICLE XXVIII COULD INFLUENCE OUR ATTITUDE WITH RESPECT TO THE SINCERITY OF BRAZILIAN OFFERS IN THE MTN CONTEXT. SINCE THE BRAZILIAN'S HAD NOT RESPONDED POSITIVELY TO OUR REQUESTS, WE ASKED FOR AN INDICATION OF SUBSTITUTE OFFERS.

4. BOTAFOGO RECOGNIZED THAT THE POINTS OF COINCIDENCE BETWEEN THE DELEGATIONS WERE SMALL AND ASKED FOR U.S. TO SUBMIT ALTERNATIVE REQUESTS AS BEST MEANS OF ADVANCING NEGOTIATIONS FURTHER. ALTHOUGH HE DENIED ANY ATTEMPT TO MIX THE ARTICLE XXVIII NEGOTIATIONS WITH THOSE IN THE MTN, HE POINTED OUT THAT, WITHIN THE BRAZILIAN GOVERNMENT, THE SAME PEOPLE ARE RESPONSIBLE LIMITED OFFICIAL USE

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PAGE 03 GENEVA 05634 01 OF 03 150430Z

FOR BOTH NEGOTIATIONS. BECAUSE OF THE COINCIDENCE OF BOTH NEGOTIATIONS HE SAID IT WOULD BE DIFFICULT FOR BRAZIL TO MAKE OFFERS NOW. HE THOUGHT THAT AS THE TWO NEGOTIATIONS PROGRESS BRAZIL WILL BE BETTER ABLE TO SEE WHERE IT CAN MAKE OFFERS AND THAT, AT SOME POINT IN TIME, IT WILL BE ABLE TO SPLIT THESE OFFERS INTO THOSE FOR THE MTN AND THOSE FOR THE ARTICLE XXVIII. HE URGED THE U.S. NOT TO TAKE AN OVERLY LEGALISTIC VIEW OF THE NEGOTIATIONS.

5. WE RESPONDED BY NOTING THAT, FROM A PRACTICAL POINT OF VIEW, IT WOULD HELP IF BRAZIL INDICATED SOONEST ITEMS ON WHICH IT COULD MAKE OFFERS. WE POINTED OUT THAT, UNDER THE TERMS OF THE GATT WAIVER, BRAZIL SHOULD MAKE COMPENSATORY OFFERS. IN ORDER TO FACILITATE THE BRAZILIAN TASK AND TO MOVE THE NEGOTIATIONS ALONG WE HAD SUBMITTED REQUESTS, MOST OF WHICH THE BRAZILIANS HAD FOUND UNACCEPTABLE BECAUSE THERE EXISTED OR WAS PLANNED NATIONAL PRODUCTION IN THESE ITEMS. WE CRITICIZED BRAZIL'S PENCHANT FOR CUTTING OFF IMPORTS WHEN NATIONAL PRODUCTION IS UNDERTAKEN, URGED THEM TO CONSIDER ALLOWING IMPORTS IN ITEMS WHERE NATIONAL PRODUC-

TION EXISTS, AND ASKED THEM TO AGAIN DESIGNATE OFFERS.
WE SAID THAT WE DID NOT WANT TO PLAY TIME-CONSUMING
GUESSING GAME BY REPEATEDLY SEEKING REQUESTS ONLY TO
HAVE BRAZILIANS SAY THAT NO CONCESSION IS POSSIBLE
BECAUSE OF ACTUAL OR PLANNED BRAZILIAN PRODUCTION.
FINALLY, WE NOTED THAT TIME DELAYS WERE IN NEITHER
COUNTRY'S INTEREST, THAT SUCH DELAYS IN PREVIOUS
ARTICLE XXVIII NEGOTIATIONS HAD, IN PART, BEEN RESPONSIBLE
FOR BRAZIL'S ADDITIONAL WITHDRAWALS AND THUS FOR
THE CURRENT RENEGOTIATIONS. WE PRESSED FOR A DATE TO
RESUME THE NEGOTIATIONS.

6. BRAZIL DEL REPLIED THAT HE COULD NOT FIX A DATE FOR
RESUMPTION OF THE NEGOTIATIONS BUT WOULD CONSULT IN
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PAGE 04 GENEVA 05634 01 OF 03 150430Z

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PAGE 01 GENEVA 05634 02 OF 03 150350Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 STRE-00
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R 141114Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 8380
INFO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE SECTION 02 OF 03 GENEVA 05634

BRASILIA AND INFORM US AS SOON AS POSSIBLE.

7. COMMENTS ON INDIVIDUAL TARIFF ITEMS ON U.S. REQUEST
LIST WERE AS FOLLOWS:

(A) APPLES (0806/0100) AND PEARS (0806/0200). THESE ITEMS ARE UNDER STUDY. BRAZIL HAS STARTED PRODUCING BOTH FRUITS AND IS STUDYING THE SUPPLY SITUATION TO SEE IF AN OFFER IS POSSIBLE. STUDY UNLIKELY TO BE COMPLETED BEFORE JUNE AND OFFERS ARE NOT POSSIBLE AT THIS TIME. BRAZIL ALSO ASKED IF U.S. REQUEST FOR 10,000 T QUOTA APPLIED TO PEARS AND APPLES TOGETHER OR WAS REQUEST FOR 10,000 T FOR EACH FRUIT. WE CAN FIND NO RECORD OF SUCH A REQUEST IN OUR RECORDS ALTHOUGH WE KNOW LICENSING OF APPLE AND PEAR IMPORTS HAS BEEN RAISED AFTER BILATERAL DISCUSSIONS IN BRAZIL. PLEASE CLARIFY.

(B) PETROCHEMICAL PRODUCTS (ITEMS 3902/0201-0213 AND 4002/9904 AND 9906). BRAZIL HAS UNDER WAY DEVELOP-LIMITED OFFICIAL USE

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PAGE 02 GENEVA 05634 02 OF 03 150350Z

MENT PROJECTS IN THE PETROCHEMICAL FIELD AND PRODUCES FIVE OF THE SIX ITEMS REQUESTED. ONLY POLYCHLOROBUTADIENE RUBBER (4002/9904) IS NOT PRODUCED IN BRAZIL BUT PRODUCTION OF A SUBSTITUTE IS PLANNED. PLANNED PRODUCTION COMING ON STREAM BETWEEN NOW AND 1981 WILL LEAD TO A SURPLUS IN OTHER ITEMS. SECTOR MUST BE LOOKED AT IN ITS ENTIRETY RATHER THAN ON INDIVIDUAL ITEM BASIS AND BRAZIL CAN'T COMMIT ITSELF TO ANY PARTICULAR LEVEL OF PROTECTION. FOR TIME BEING, NO CONCESSIONS ARE POSSIBLE.

(C) ITEMS ON WHICH CONCESSION MIGHT BE POSSIBLE ON EX-OUT:

(1) OTHER SPARK-IGNITION ENGINES (8406/0300). NOT POSSIBLE TO OFFER ANY CONCESSION ON AUTOMOBILE ENGINES BUT WILLING TO LISTEN TO REQUEST FOR EX-OUT OF OTHER TYPES OF IGNITION ENGINES IF U.S. WILL SPECIFY.

(2) ROTARY PRESSES (8435/0500). MIGHT BE POSSIBLE TO EX-OUT PRESSES OF HIGH CAPACITY. WANTS TO KNOW CAPACITIES U.S. INTERESTED IN EXPORTING.

(3) OTHER MACHINERY FOR SORTING, SCREENING (8456/9900). MIGHT BE POSSIBLE TO EX-OUT BUT WANTS TO KNOW SPECIFIC TYPES OF MACHINERY, SPECIFICALLY IF MACHINERY IS FOR MINING OR AGRICULTURAL USES. EX-OUT FOR MINING USES MIGHT BE POSSIBLE, ALTHOUGH AGRICULTURAL MACHINERY IS NOT RULED OUT.

(4) VALVES OF COPPER (84.61.03.02). EX-OUTS MIGHT BE POSSIBLE BUT WOULD WANT TO KNOW WHAT TYPES OF VALVES U.S. ESPECIALLY INTERESTED IN EXPORTING.

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PAGE 03 GENEVA 05634 02 OF 03 150350Z

(5) RADIO AND ELECTRONIC APPARATUS (ITEMS 8515/0299, 85.15.07.00, 85.19.01.02 AND 85.19.03.01) CONCESSION NOT POSSIBLE ON TOTAL ITEMS, BUT REQUEST FOR EX-OUT OF HIGHLY SPECIALIZED EQUIPMENT MIGHT BE POSSIBLE. ON ITEM 85.15.03.01-PORTABLE TRANSCEIVERS, BRAZIL DEL SAID ANY CONCESSION, WHICH IN ANY CASE NOT POSSIBLE, WOULD BE USELESS SINCE THERE IS NO FREE USE OF PORTABLE TRANSCEIVERS IN BRAZIL.

(D) ITEMS WHICH ARE UNDER STUDY:

(1) ELECTRICAL CIRCUITRY (8519/0299, 8519/0599, AND 8519/0799). THIS SECTOR IS UNDER DETAILED STUDY AND NO RESPONSE NOW POSSIBLE. CAN'T SET A DATE FOR COMPLETION OF STUDY. NO CONCESSION POSSIBLE ON PRINTED CIRCUITS (8519/0800).

(2) TRACTORS AND DUMP TRUCKS (8701/0500, 8701/0800, 8701/0900 AND 8702/0305). BRAZIL HAS NEW INDUSTRY FOR TRACTORS AND OUTLOOK FOR OFFERS IS NOT GOOD BECAUSE OF OVERPRODUCTION AND POLITICAL SENSITIVITY. LOOKING AT POSSIBILITY IN ITEMS 8701/0800 AND ON DUMP TRUCKS (8702/0305). NO CONCESSION POSSIBLE ON PISTONS (8406/9104).

(3) TWO-WHEELED DRAWN SCRAPER (8423/0210).

(E) AIRCRAFT (ITEMS 8406/0100, 8802/0100, 0200, 0300, 0400 AND 8803/0000). BOTAFOGO EXPLAINED THAT AIRCRAFT INDUSTRY IS INFANT INDUSTRY UNDER JURISDICTION OF AIR MINISTRY. HE POINTED OUT THE PROBLEMS THAT BRAZIL HAS OBTAINING CERTIFICATION FOR ONE OF ITS AIRCRAFT IN THE U.S. AND SAID THAT, WHILE HE IS NOT LINKING U.S. ACTION ON CERTIFICATION WITH TRADE NEGOTIATIONS, U.S. ACTION COULD HAVE A FAVORABLE EFFECT ON THE POLITICAL ATMOSPHERE

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PAGE 04 GENEVA 05634 02 OF 03 150350Z

PHERE THUS ENABLING BRAZIL TO STUDY THE MATTER OF

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PAGE 01 GENEVA 05634 03 OF 03 150350Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
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INFO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE SECTION 03 OF 03 GENEVA 05634

CONCESSIONS ON AIRCRAFT ITEMS. UNDER FURTHER PROBING,
HOWEVER, BRAZIL DEL INDICATED THAT ONLY ITEMS WHICH
BRAZIL DID NOT PRODUCE OR PLAN TO PRODUCE (AND THERE-
FORE ONLY ITEMS WHERE CONCESSIONS ARE EVEN HYPOTHETICAL)
WERE LARGE JETS AND SOPHISTICATED PARTS.

8. COMMENT: ALTHOUGH, UNLIKE THE PREVIOUS MEETING,
THE BRAZILIANS WERE AT LEAST WILLING TO DISCUSS THE
U.S. REQUEST LIST, THEIR RESPONSES WERE LARGELY NEGATIVE.
EVEN ON THOSE ITEMS WHERE BRAZIL INDICATED EX-OUTS
MIGHT BE POSSIBLE OR WHERE THE ITEM WAS UNDER STUDY, WE
HAD THE IMPRESSION THAT OFFERS WOULD COVER A SMALL
PORTION OF THE TRADE IN THE ITEM AND EXCLUDE ITEMS OF
LARGE TRADE INTEREST TO THE U.S. WE CANNOT JUDGE
VALIDITY OF BRAZIL DEL'S CLAIMS OF POLITICAL DIFFI-
CULTIES IN MAKING OFFERS AND, FROM WHERE WE STAND,
BRAZIL'S TACTICS LOOKED LIKE ONE MORE PHASE IN A CON-
TINUING STALL. WE SHOULD, HOWEVER, CONTINUE TO PRESS
BRAZIL TO NEGOTIATE BY CLARIFYING ITEMS IN 7(C) ABOVE
AND/OR BY MAKING ADDITIONAL REQUESTS AS ASKED BY
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PAGE 02 GENEVA 05634 03 OF 03 150350Z

BOTAFOGO. THE DELEGATION FROM BRASILIA WILL DEPART
GENEVA APRIL 21. IF WASHINGTON HAS ADDITIONAL INFORMA-
TION OR POINTS IT WISHES USDEL TO MAKE PRIOR TO THAT
DATE, WE SHOULD TAKE OPPORTUNITY OF BRAZIL DELS

PRESENCE IN GENEVA TO DO SO. VANDEN HEUVEL

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Message Attributes

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Decaption Date: 01 jan 1960
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